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BUREAU OF THE BUDGET

WASHINGTON 25, D.C.

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DEC 7 1963

OFFICE OF
THE DIRECTOR

Honorable John A. McCone
Director of Central Intelligence
Washington, D. C.

Dear Mr. McCone: *John:*

A number of inquiries have come to me concerning the appropriate procedure for responding to the President's memorandum of November 30, 1963, in which he asked each agency head for a report on cost reductions achieved in calendar 1963 and planned for 1964.

I believe that the President expects a personal response from each agency head, rather than an institutional type of submission. At the same time, I think it would be desirable to maintain a certain degree of consistency in the content and presentation of the material, so that it can be analyzed meaningfully by the President and his staff.

Hence I thought you might find it useful if I were to suggest the general points that might be covered, leaving the rest to your judgment.

I suggest that your report might well begin with a brief personal letter from you to the President, giving your own perspective and judgment as to (1) what has been accomplished during the past calendar year, (2) what the potential is, as you see it, for solid improvements in the coming year, and (3) what it will take in the way of administrative decisions or legislation if the full potential for savings is to be achieved.

For the remainder of the report, I would suggest that you deal with the following topical categories to the extent that they are applicable, and add to them where they do not cover all of the significant types of actions being taken in your agency. In each category, it would be well to explain concisely what the problem is and the kind of action being taken, together with the best estimates available concerning savings already realized (in dollars or manpower or both), targets set for the coming calendar year, and a description of projects planned. Where

SECRET

legislative relief or authorization is needed, this should be indicated. The categories I would suggest are these:

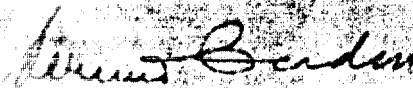
- (1) Reorganizations and consolidations
- (2) Simplifications of systems and procedures
- (3) Conversions to high-speed data handling equipment
- (4) Management surveys
- (5) Improvements in forward planning
- (6) User charges
- (7) Employee incentives
- (8) Manpower economies, including productivity standards
- (9) Procurement and purchasing methods
- (10) Property management, including acquisition and disposal

The foregoing categories relate essentially to management practices. The President's memorandum, in addition, speaks of eliminating or curtailing programs of low utility. I believe that the President would be particularly gratified to have your comments on this question--either as a part of this report or as a separate communication.

You will note that the President has asked that your report be submitted to him promptly. I believe that a reasonable construction of this request would suggest that your report be sent to the President in December or early January.

If I can be of assistance in any way, please let me know.

Sincerely,



Director

SECRET

Summary of Statement by DCI to USIB Principals and
Committee Chairmen Regarding the President's Memorandum
of 30 November 1963 on Economy in Government

In an executive session with USIB principals and Committee Chairmen at the 4 December Intelligence Board meeting, the DCI tabled copies of the President's memorandum of 30 November regarding economy in government and in a statement with respect thereto:

a. Commented on the great seriousness with which the President had issued this memorandum and the unrelenting strength of his purpose, now as in the past, to eliminate waste and extravagance in government.

b. Noted that, while the President's pledge and firm intention for economy in government would be communicated to Board members through departmental channels, he wished to emphasize to the USIB the special importance which he attached to this call for action because of the unique nature of the intelligence community's interlocking arrangements for performing its functions on a coordinated basis.

c. Advised that he had assured the President in recent discussions that the intelligence community had already directed significant efforts toward conducting its activities in an economical manner and that it would continue to pursue this objective.

d. Expressed his determination that the interface between U.S. intelligence agencies be examined in order that steps, as necessary, be taken to make improvements and remove any undesirable duplication of function and activity.

e. Requested specifically that each Board member study the activities of his agency as related to those of the other intelligence agencies and consider whether reliance could not be placed on particular agencies to conduct certain of those activities and thus reduce possible duplication.

f. Informed the Board members that in initial response to the President's memorandum he was directing a thorough-going review of CIA activities at all levels, in both its headquarters and field components.

g. Addressed the USIB Committee Chairmen, who were present, and stressed to them their individual responsibility as agents of the intelligence community to apply the President's instruction to the work of their respective committees.

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